# Loan Modifications Quick Reference Guide

CRI CARR RIGGS & INGRAM
CPAs and Advisors

## Disclosure

The borrower must be **experiencing financial difficulty**.

The modification is one or more of the following:

- Principal forgiveness
- Interest rate reduction
- **Other-than-insignificant** payment delay
- Term extension

Indicators of **financial difficulty:**

- The borrower is currently in default.
- The borrower is in bankruptcy.
- There is substantial doubt regarding the borrower's ability to continue as a going concern.
- Without modification, the borrower will not be able to obtain similar financing from another institution or continue to make payments.

Other-than-insignificant payment delays:

- The amount of restructured payment subject to the delay is insignificant relative to the unpaid balance or collateral value and will result in an insignificant shortfall.
- The delay in timing of the restructured payment period is insignificant relative to:
  - The frequency of payments due
  - The loans original contractual maturity date
  - The loans original expected duration

## Accounting

The modification is accounted for as a new loan, if:

- The new loan's effective yield is at least equal to the effective yield of the original loan.
- Modifications to the original loan are considered "more than minor":
  - If the present value of cash flows of new vs. old loan is 10% different the modification is considered "more than minor."
  - If not, further evaluation of relevant facts and circumstances should be considered.

Disclosures are current and prospective, and related to modifications made in the previous 12 months. Prior TDR disclosures are not required.